On Friday, February 9, 2007, the Committee held an oversight hearing to examine whether there are fraudulent, abusive, or wasteful pharmaceutical pricing practices that affect federal health programs such as Medicaid, Medicare, and the Public Health Service "340B" program that should be the subject of additional congressional oversight. Witnesses at this hearing included the Government Accountability Office, the Department of Justice, the Department of Health and Human Services Office of Inspector General, the Office of the Attorney General of the State of Texas, and several independent experts on waste, fraud, and abuse in prescription drug pricing.

Billions of dollars in pharmaceutical pricing fraud in the Medicaid program. To date, the federal government has recovered over $4 billion from drug manufacturers in cases involving overcharging the Medicaid program for prescription drugs. The testimony of Mr. James Moorman of Taxpayers Against Fraud indicated that the potential liability of drug manufacturers who have defrauded Medicaid could be as much as $60 billion.

Barriers to prosecuting Medicaid drug pricing fraud cases, and backlog of hundreds of cases. Witnesses described several barriers to prosecuting drug pricing fraud cases: complicated cases that take years to resolve; a lack of resources in the Department of Justice; and a lack of leadership from top DOJ officials. Witnesses indicated that there was a backlog of approximately 180 Medicaid drug pricing fraud cases, with cases being resolved at a pace of only three per year.

High drug prices under the new Medicare Part D program. Several witnesses indicated that the prices paid by the Part D drug plans were significantly higher than prices paid under other government programs. According to Dr. Gerard Anderson, "Part D plans are paying 22% more [for drugs] than Medicaid, and 31% more than the VA." Dr. Anderson estimated that these high prices will cost taxpayers and Part D beneficiaries up to $300 billion in excess costs over the next decade.

Potential for fraud in the new Medicare Part D program. Witnesses indicated that several factors in the new Part D program — the lack of transparency, the complicated contracting arrangements between CMS and Part D providers and between Part D providers and drug manufacturers, and the large amount of money flowing into the program — combine to make Part D uniquely susceptible to fraud. These witnesses highlighted the need for aggressive oversight of the program by CMS, GAO, Congress, and other government watchdogs.

At the hearing, Rep. Waxman announced a new investigation into drug pricing under Medicare Part D, which culminated in the release of an October 15, 2007 report, Private Medicare Drug Plans: Seniors and Taxpayers Hurt by High Expenses, Low Rebates. This investigation found that the high administrative costs of the private Part D insurers, combined with their inability to negotiate significant drug savings, cost taxpayers and seniors $15 billion in 2007.

Documents and Links

- Hearing Summary